

**Charter School Facilities Program
Proposition 51 Funding Round
Staff Summary Report – February 2018**

Applicant/Obligor:	Chula Vista Elementary School District
Project School:	Leonardo di Vinci Health Science Charter
CDS (County – District – School) Code:	37-68023-01195494
School Address/Proposed Site:	229 East Naples, Chula Vista, CA 91911
Type of Project:	Rehabilitation
Type of Apportionment:	Preliminary
County:	San Diego
District in which Project is Located:	Chula Vista Elementary School District
Charter Authorizer:	Chula Vista Elementary School District
Total OPSC Project Cost:*	\$5,973,384
State Apportionment (50% Project Cost):	\$2,986,692
Lump Sum Contribution:	\$2,986,692
Total CSFP Financed Amount:	N/A
Length of CSFP Funding Agreement:	N/A
Assumed Interest Rate:	N/A
Estimated Annual CSFP Payment:	N/A
First Year of Occupancy of New Project:	2018-19

**The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of Preliminary-Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Chula Vista Elementary School District (“District” or “CVESD”), on behalf of Leonardo di Vinci Health Science Charter (“School” or “LDVHSC”), is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

For purposes of providing proof of the funds available to make the lump sum payment towards the local match, CVESD has confirmed their expected lump sum payment. The funds for the lump sum will come from a designated fund with a balance as of June 2017 of \$43,247,482. Staff notes that, prior to a Preliminary Apportionment, the Applicant will be required to produce evidence of having the said amount of funds in a restricted bank account, specifically designated for the CSFP project.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review of Chula Vista Elementary School District on behalf of Leonardo di Vinci Health Science Charter. Detailed information is contained in the body of the report.

Criteria	Comments
Obligor Information	
Demographic Information	<ul style="list-style-type: none"> • In 2016-17, CVESD operated/authorized 49 schools which consists of 46 elementary schools, two K-12 grade schools, and one preschool. Enrollment totaled at 30,053 with an ADA rate of 95.0% • In 2016-17, CVESD had an unduplicated pupil population percentage of 48.7%; 50.3% of students qualified for free/reduced price meals, and 34.3% students are English learners. • By 2018-19, CVESD projects an enrollment of 29,605 students.
Debt Service Coverage	The district is providing its matching share through General Obligation (GO) bond proceeds and, if necessary, other designated funds.
Other Financial Factors	<ul style="list-style-type: none"> • CVESD has confirmed the matching share will be through a lump sum payment from designated funds, which have a balance as of June 30, 2017 of \$43,496,779.65 • CVESD's general fund (chief operating fund) has a projected balance of \$41,892,579 at the end of 2017-18.
School Information	
Demographic Information	<ul style="list-style-type: none"> • In 2016-17, LDVHSC's enrollment totaled at 308 with an ADA rate of 95.5% • In 2016-17, LDVHSC had an unduplicated pupil population percentage of 66.0%; 41.9% of students qualified for free/reduced price meals, and 42.2% students are English learners. • By 2018-19, LDVHSC projects an enrollment of 299 students.
Eligibility Criteria	Leonardo di Vinci Health Science Charter has met all eligibility criteria: (1) Leonardo di Vinci Health Science Charter has been in operation since 2009-10; (2) Leonardo di Vinci Health Science Charter's charter was approved in 2014 and is in place through 2019; (3) Leonardo di Vinci Health Science Charter is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	Students at Leonardo di Vinci Health Science Charter did not perform as well as comparable local schools and the authorizing district. While not performing as well, LDVHSC only had a single student group perform below average over the two year assessment period, which is better than the averages of comparable schools and the district.

Program Eligibility: On November 6, 2017, at CSFA staff's request, verification was received from Chula Vista Elementary School District confirming that Leonardo di Vinci Health Science Charter (1) in compliance with the terms of its charter agreement, and (2) in good standing with its chartering authority. Leonardo di Vinci Health Science Charter's current charter is effective through 2019.

Legal Status Questionnaire: Staff reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed that would lead staff to question the financial or legal integrity of this applicant.

Project Description: Leonardo di Vinci Health Science Charter's rehabilitation project will be located at their current address of 229 East Naples, Chula Vista, CA 91911. The project consists of the rehabilitation of 12 relocatable classrooms. The estimated square footage of the project is 13,911 and no additional square footage will be built.

Obligor Organizational Information: Chula Vista Elementary School District is a school district located in San Diego County and operates and/or authorizes 49 schools: 45 elementary schools, two K-8 grade schools, and one preschool. The CVESD is comprised of the following mix of races/ethnicities: 70.4% Hispanic or Latino; 10.9% Caucasian; 3.6% African American/Black; 0.2% American Indian or Alaska Native; 2.2% Asian; 9.1% Filipino, 0.3% Pacific Islander, and 3.1% Two or More Races. The District has an unduplicated pupil population of 48.7%. 50.3% of students are Socio-Economically Disadvantaged and 34.3% are English Learners.

The 2017-18 board members for Chula Vista Elementary School District include President Leslie Ray Bunker, Vice President Laurie K. Humphrey, Clerk Armando Farias, Eduardo Reyes, and Francisco Tamayo. Dr. Francisco Escobedo is the Superintendent and Carolyn School is the Facilities Planning Manager. Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of CVESD.

School Organizational Information: Leonardo di Vinci Health Science Charter is a public charter school located within the boundaries of Chula Vista Elementary School District and is authorized by the Chula Vista Elementary School District. LDVHSC's initial charter was submitted to the CVESD prior to the 2009-10 year. LDVHSC most recent charter was approved in 2014 with the charter set to expire on June 30, 2019. The school is a direct-funded independent charter school and is operated as a California public benefit corporation with IRS approved 501(c)(3) status. LDVHSC operates autonomously from the District, with the exception of the supervisory oversight, special education services, and other services purchased by Leonardo da Vinci Health Sciences Charter School from the District, as outlined in the Memorandum of Understanding (MOU) between the parties

Based on information provided by the school, Leonardo da Vinci Health Sciences Charter School is designed as a student-centered community of learners. All students have sufficient access to standards-aligned instructional materials, and, as first-hand inquirers and producers of knowledge, are involved with project-based learning (PBL) activities embedded in the curriculum and guided by the Common Core Standards, the Next

Generation Science Standards, English language development standards, and other state standards.

Leonardo da Vinci Health Sciences Charter School supports a multi-disciplinary instructional approach to instruction and learning, as it lends meaning to individual standards, and increases the content’s relevance to students. As part of the curriculum design process, research-based instructional strategies for increasing student achievement are embedded into the daily culture of the classroom. While the curricular focus is health sciences, all students have access to a broad course of study including the academic core curriculum of English language arts, mathematics, history/social science, the visual and performing arts, physical education, and health education.

The 2017-18 board members for LDVHSC are Chairperson Angelica Gastelum, Dr. Jennifer Reiter-Cook, Guastavo Perez, Armando Garcia, Nina Fuentes, and Patti Saunders. Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of LDVHSC.

School Academic Performance: The following tables represent the 2014-15, 2015-16 and 2016-17 academic performance of LDVHSC, the combined averages of Kellogg, Palomar, and Castle Park Elementary (Local Schools), and the District. The results are provided through CDE’s CAASPP Smarter Balanced testing data.

English Language Arts – Comparison

	Years		
	2014-15	2015-16	2016-17
LDVHSC	30%	39%	40%
Local Schools	47%	47%	44%
District	55%	62%	63%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
LDVHSC	N/A	Average	Average	N/A	0/3	0/3
Local Schools	N/A	Low; Average; High	Low; Low; Low	N/A	1/3; 0/3; 0/3	3/3; 3/3; 3/3
District	N/A	High	High	N/A	1/10	2/12

Mathematics– Comparison

	Years		
	2014-15	2015-16	2016-17
LDVHSC	21%	26%	29%
Local Schools	27%	33%	32%
District	44%	49%	51%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
LDVHSC	N/A	Average	Average	N/A	0/3	1/3
Local Schools	N/A	Low; High; Average	Low; Average; Low	N/A	3/3; 0/3; 0/3	3/3; 1/3; 3/3
District	N/A	High	High	N/A	1/10	0/12

Enrollment Trends and Projections: The tables below present enrollment information for CVESD and LDVHSC from 2013-14 through 2019-20. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

District-wide Student Enrollment and Average Daily Attendance

<u>CVESD</u>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Enrollment	29,472	29,806	30,230	30,053	29,605	29,605	29,605
ADA	96.1%	93.0%	94.4%	95.0%	95.0%	95.0%	95.0%

School Student Enrollment and Average Daily Attendance

<u>LDVHSC</u>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Enrollment	292	308	327	308	299	330	330
ADA	94.1%	94.7%	94.6%	95.5%	94.3%	94.0%	94.0%

Financial Data Sources: This financial analysis is based on the consideration and review of the following for CVESD, the financial obligor and Applicant, on behalf of LDVHSC: (1) audited financial statements for 2013-14 through 2015-16; (2) unaudited actuals for 2016-17; (3) first interim budget for 2017-18; and (4) budget projections for 2018-19 through 2019-20 along with assumptions. Please note that staff’s analysis of CVESD’s financial performance, including the evaluation operating budget and liquidity, is based on the district’s General Fund.

Assumptions: CVESD’s financial projections are based upon the following assumptions: (1) occupancy of the rehabilitation project in 2018-19; (2) District-wide enrollment projections as provided above under “Enrollment Trends and Projections”; (3) Projected District-wide ADA rates of 95%, which are consistent with historical performance; (4) Local Control Funding Formula (LCFF) per-ADA funding rate of \$9,352 for 2017-18, as included with CVESD’s adopted budget document; (5) projected COLA rates for LCFF of 2.15% and 2.35% for 2018-19 and 2019-20 respectively; and (6) CVESD contributing a lump sum payment as the project’s matching share.

Long Term Liabilities: As provided by the 2017-18 first interim budget report, CVESD has \$310,350,828 in long-term debt. The debt is from the following governmental activities: \$132,330,000 in general obligation (GO) bonds; \$153,000,000 in certificates of participation

(COP); \$8,643,874 in GO bond issuance premiums; \$10,025,785 in COP issuance premiums; \$1,351,169 in compensated absences; and \$5,000,000 in Qualified Zone Academy (QZAB) and Community Facilities District (CFD) Bonds. \$27,162,401 is due within one year. \$11,747,963 of the amount due within a year is from the general obligation bonds and \$14,280,075 will be payable towards COPs.

Debt service on COPs, QZAB and CFD bonds and compensated absences are paid through different funds. According to the 2015-16 audited financial statements, debt service was paid through the Component Units Fund and Building Fund. Debt service for GO bonds is paid from assessed valuation on specific properties. These payments are made from the tax assessments owed to the District.

Private Contributions: CVESD does not rely on any private contributions.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff’s analysis regarding CVESD’s financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS							
	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020
OPERATIONAL & FINANCIAL							
Enrollment	29,472	29,806	30,230	30,053	29,605	29,605	29,605
Average Daily Attendance (ADA)	28,325	27,706	28,545	28,542	28,125	28,125	28,125
Average Daily Attendance (%)	96.1%	93.0%	94.4%	95.0%	95.0%	95.0%	95.0%
LCFF Sources/ADA	\$ 5,302	\$ 5,997	\$ 6,495	\$ 6,826	\$ 6,979	\$ 7,200	\$ 7,380
% Change		13.1%	8.3%	5.1%	2.2%	3.2%	2.5%
Operating Revenues/ADA	\$ 7,099	\$ 8,017	\$ 9,064	\$ 9,212	\$ 9,352	\$ 9,428	\$ 9,609
% Change		12.9%	13.1%	1.6%	1.5%	0.8%	1.9%
Operating Expenses plus CSFP Lease/ADA	\$ 6,828	\$ 8,314	\$ 8,450	\$ 9,406	\$ 9,888	\$ 9,950	\$ 10,178
% Change		21.8%	1.6%	11.3%	5.1%	0.6%	2.3%
Free Cash Flow/ADA	\$ 271	\$ (297)	\$ 613	\$ (194)	\$ (535)	\$ (522)	\$ (569)
DEBT SERVICE COVERAGE							
Total Operating Revenues	\$ 201,091,868	\$ 222,112,160	\$ 258,713,897	\$ 262,921,609	\$ 263,032,936	\$ 265,167,642	\$ 270,243,864
Total Operating Expenses	193,419,185	230,351,714	241,215,724	268,461,258	278,084,906	279,851,223	286,254,645
Total Other Sources/Uses	(220,000)	(604,135)	(524,245)	(400,000)	-	-	-
Net Income Available for CSFP Lease Payment	7,452,683	(8,843,689)	16,973,928	(5,939,650)	(15,051,970)	(14,683,581)	(16,010,781)
Add Back Capital Outlay	315,342	1,411,024	3,916,597	1,003,770	1,336,700	1,322,661	1,334,572
Add Back Depreciation	-	-	-	-	-	-	-
Adjusted Net Income Available for CSFP Lease Pymt.	7,768,025	(7,432,665)	20,890,525	(4,935,880)	(13,715,270)	(13,360,920)	(14,676,209)
CSFP Lease Payments	-	-	-	-	-	-	-
Free Cash Flow	\$ 7,768,025	\$ (7,432,665)	\$ 20,890,525	\$ (4,935,880)	\$ (13,715,270)	\$ (13,360,920)	\$ (14,676,209)
LIQUIDITY							
Current Assets	\$ 62,464,914	\$ 58,003,781	\$ 74,240,398	\$ 74,071,316			
Current Liabilities	7,710,955	12,093,511	11,356,200	17,126,768			
Net Working Capital	\$ 54,753,959	\$ 45,910,270	\$ 62,884,198	\$ 56,944,548			
Net Working Capital/Oper. Expenses	28.3%	19.9%	26.1%	21.2%			
Unrestricted Cash & Cash Equivalents	\$ 40,275,113	\$ 44,178,736	\$ 63,935,435	\$ 64,208,379			
Unrest. Cash & CE/Oper. Expenses (Days)	76	70	97	87			
Unrest. Cash & CE/All Expenses (Days)	76	70	97	87			

Benchmark Summary:

- Free Cash Flow/ADA – Not Met: -\$176 avg. (>\$0)
- Free Cash Flow – Not Met: -\$2,829,155 avg. (>\$0)
- Net Working Capital as Portion of Operating Expenses – Met: 23.9% (>5%)
- Unrestricted Cash & Cash Equivalents as Portion of All Expenses – Not Met: 83 days (> 90 days)

Summary of Financial Findings and Special Considerations: Given that CVESD has agreed to make a lump-sum payment of \$2,986,652 to cover the local matching share, no loan is anticipated and debt service coverage is not a consideration. Rather, the financial analysis focuses on whether CVESD can meet its “General Fund” annual operating obligations. Though projecting negative net income for 2017-18 through 2019-20, the General Fund’s balance averages \$26,766,598 over those three fiscal years. The fund in which CVESD will be providing the lump sum has a balance of \$43,247,482 as of June 2017. Additionally, CVESD averages 23.9% of operating expenses in net working capital from 2013-14 through 2016-17 with an average amount of \$55,123,244.

Strengths, Weaknesses and Mitigants:

- + LDVHSC is financially viable based on a review of financial statements and projected budgets from 2013-14 through 2019-20 which staff considers reasonable.
- Students at LDVHSC did not perform as well as comparable local schools and the authorizing district.
- + CVESD has confirmed the matching share of \$2,986,692 will be through a lump sum payment from designated funds, which balance as of June 30, 2017 was \$43,247,482.
- + As of June 30, 2017, CVESD has \$56,944,548 in net working capital, approximately 21.2% of operating expenses.

Staff Recommendation: Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Chula Vista Elementary School District (“District” or “CVESD”), on behalf of Leonardo di Vinci Health Science Charter (“School” or “LDVHSC”), is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Chula Vista Elementary School District, on behalf of Leonardo di Vinci Health Science Charter, electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.